

# **Willard Public Library**

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**Financial Report  
with Supplemental Information  
June 30, 2008**

# **Willard Public Library**

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## Independent Auditor's Report

To the Board of Trustees  
Willard Public Library

We have audited the accompanying financial statements of the governmental activities and each major fund of Willard Public Library (the "Library") as of and for the year ended June 30, 2008 which collectively comprise the Library's basic financial statements as listed in the table of contents. The financial statements are the responsibility of the Library's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Willard Public Library as of June 30, 2008 and the respective changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Library's basic financial statements. The required supplemental information, as identified in the table of contents, is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. The required supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The management's discussion and analysis included in the table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements of Willard Public Library. We did not examine this data and, accordingly, do not express an opinion thereon.

*Plante & Moran, PLLC*

August 29, 2008

# **Willard Public Library**

## **Management's Discussion and Analysis**

### **Using this Annual Report**

This annual report consists of three parts - management's discussion and analysis (this section), the basic financial statements, and required supplemental information. The basic financial statements include information that presents two different views of Willard Public Library (the "Library"):

- The first series of columns of the financial statements includes information on the Library's various funds under the modified accrual method. These fund financial statements focus on current financial resources and provide a more detailed view about the accountability of the Library's sources and uses of funds.
- The adjustments column of the financial statements represents adjustments necessary to convert the fund financial statements to the government-wide financial statements under the full accrual method.
- The library as a whole financial statement column provides both long-term and short-term information about the Library's overall financial status. The statement of net assets and the statement of activities provide information about the activities of the Library as a whole and present a longer-term view of the Library's finances. These statements tell how these services were financed in the short term as well as what remains for future spending.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplemental information that further explains and supports the information in the financial statements.

### **Financial Highlights**

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended June 30, 2008:

- Total net assets related to the Library's governmental activities increased by approximately \$366,000.
- The Library incurred approximately \$200,000 in expenditures related to a new integrated library system.
- A new Special Revenue Fund was created, the Imagination Library Fund, for the purpose of assisting the early educational development of children.

# Willard Public Library

## Management's Discussion and Analysis (Continued)

### Condensed Financial Information

The table below compares key financial information in a condensed format with comparison to the prior two years:

	2008	2007	2006
<b>Assets</b>			
Current assets	\$ 4,891,019	\$ 4,288,690	\$ 4,202,390
Capital assets	5,102,803	5,312,901	5,876,973
Total assets	9,993,822	9,601,591	10,079,363
<b>Liabilities</b>			
Long-term debt	279,000	272,734	356,000
Other liabilities	342,660	322,922	264,652
Total liabilities	621,660	595,656	620,652
<b>Net Assets</b>			
Invested in capital assets - Net of debt	5,102,803	5,312,901	5,876,973
Unrestricted	4,269,359	3,693,034	3,581,738
Total net assets	<u>\$ 9,372,162</u>	<u>\$ 9,005,935</u>	<u>\$ 9,458,711</u>
<b>Revenue</b>			
Property taxes	\$ 5,147,331	\$ 4,749,505	\$ 3,878,487
Other	999,939	1,079,969	1,695,263
Total revenue	6,147,270	5,829,474	5,573,750
<b>Expenses - Library services</b>	5,781,043	6,282,250	5,613,513
<b>Other Uses - Loss on sale of equipment and costs associated with defeasance of debt</b>	-	-	(739)
<b>Change in Net Assets</b>	<u>\$ 366,227</u>	<u>\$ (452,776)</u>	<u>\$ (40,502)</u>

# **Willard Public Library**

## **Management's Discussion and Analysis (Continued)**

### **Change in Net Assets**

The change in net assets is approximately \$819,000 higher in 2008 than in 2007. The change in net assets is higher in 2008 due to an increase in property tax revenue of approximately \$398,000 and a decrease in expenditures of approximately \$501,000. Approximately half of the decrease in expenditures is due to the dissolution of the NPA Fund in 2007. Expenditures in 2007 included a transfer of approximately \$263,000 to remove the NPA Fund from the Library.

### **Current Year Highlights**

With a 4 percent increase this year, Willard Public Library's circulation continues to grow past the one million mark. In fact, since the opening of the Helen Warner Branch (2004), Library circulation has increased by over 30 percent.

Our main focus this year has been the introduction of our new electronic catalog and a new phone system. Although there are a number of "bugs" to be worked out, the sophistication of the products has enabled us to present a much stronger technology application and presence within our community. Additionally, new products such as preloaded MP-3 players and downloadable books are catching on quickly.

Nearly 1,000 people attended our B.C. Reads program, which featured the author of the book *The Glass Castle*. Presentations by children's authors and teen programs, including our Poetry Slam, Wii programs, and Guitar Hero, made it a very strong year in programming.

This year also marked the introduction of the Imagination Library. Through a partnership with other community agencies, we were able to launch this exciting literacy program which provides age-appropriate books to children within our service area on a monthly basis.

From a facilities perspective, we were able to expand our parking at the branch, replace carpeting on the mezzanine level, refresh our main floor display shelving, and improve access to our DVD collection.

### **Capital Asset Administration**

The Library purchased approximately \$472,000 of new assets during the year, including approximately \$200,000 toward a new integrated library system.

### **Library Budgetary Highlights**

Tax revenues for the Library remained stable within a tough Michigan economy. We experienced slight decreases in state aid and penal fine income, but overall support was solid and we were able to end the year in the black. Our 2 mill tax support will enable us to be fiscally sound well into the future.

# **Willard Public Library**

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## **Management's Discussion and Analysis (Continued)**

### **Contacting the Library's Management**

This financial report is intended to provide our citizens, taxpayers, and customers with a general overview of the Library's finances to show the Library's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the director's office.

# Willard Public Library

## Balance Sheet/Statement of Net Assets June 30, 2008

	Individual Library Funds				Library as a	
	Special Revenue Funds				Whole	
	General Fund	Imagination Library	Endowment Fund	Balance Sheet - Modified Accrual	Adjustments (Note 2)	Statement of Net Assets - Full Accrual
<b>Assets</b>						
<b>Current Assets</b>						
Cash and cash equivalents (Note 3)	\$ 3,818,161	\$ 61,042	\$ 652,947	\$ 4,532,150	\$ -	\$ 4,532,150
Receivables	216,710	-	1,000	217,710	-	217,710
Prepaid assets	141,093	66	-	141,159	-	141,159
Total current assets	4,175,964	61,108	653,947	4,891,019	-	4,891,019
<b>Noncurrent Assets</b> - Capital assets - Net of accumulated depreciation (Note 4)	-	-	-	-	5,102,803	5,102,803
Total assets	<b>\$ 4,175,964</b>	<b>\$ 61,108</b>	<b>\$ 653,947</b>	<b>\$ 4,891,019</b>	5,102,803	9,993,822
<b>Liabilities and Fund Balances</b>						
<b>Liabilities</b>						
Accounts payable	\$ 127,227	\$ -	\$ -	\$ 127,227	-	127,227
Accrued liabilities	215,433	-	-	215,433	-	215,433
Total current liabilities	342,660	-	-	342,660	-	342,660
Long-term debt (Note 5)	-	-	-	-	279,000	279,000
Total liabilities	342,660	-	-	342,660	279,000	621,660
<b>Fund Balances/Net Assets</b>						
Fund balances - Reserved for prepaid expenses	141,093	-	-	141,093	(141,093)	-
Unreserved fund balances:						
Designated for equipment purchases	750,000	-	-	750,000	(750,000)	-
Designated for sick payable	321,000	-	-	321,000	(321,000)	-
Designated for reserve fund	887,993	-	-	887,993	(887,993)	-
Undesignated	1,733,218	61,108	653,947	2,448,273	(2,448,273)	-
Total fund balances	3,833,304	61,108	653,947	4,548,359	(4,548,359)	-
Total liabilities and fund balances	<b>\$ 4,175,964</b>	<b>\$ 61,108</b>	<b>\$ 653,947</b>	<b>\$ 4,891,019</b>		
<b>Net Assets</b>						
Invested in capital assets - Net of debt					5,102,803	5,102,803
Unrestricted					4,269,359	4,269,359
Total net assets					<b>\$ 9,372,162</b>	<b>\$ 9,372,162</b>



# Willard Public Library

## Statement of Revenue, Expenditures, and Changes in Fund Balance/Statement of Activities Year Ended June 30, 2008

	Individual Library Funds				Library as a Whole	
	Special Revenue Funds			Revenues and Expenditures - Modified Accrual	Adjustments (Note 2)	Statement of Activities - Full Accrual
	General Fund	Imagination Library	Endowment Fund			
<b>Revenue</b>						
Taxes	\$ 5,147,331	\$ -	\$ -	\$ 5,147,331	\$ -	\$ 5,147,331
State sources	95,027	-	-	95,027	-	95,027
Penal fines	277,147	-	-	277,147	-	277,147
Fees and book fines	189,678	-	-	189,678	-	189,678
Interest	159,421	158	22,203	181,782	-	181,782
Local contributions, contracts, and other	162,270	45,645	48,390	256,305	-	256,305
Total revenue	6,030,874	45,803	70,593	6,147,270	-	6,147,270
<b>Expenditures/Expenses</b>						
Capital expenditures	433,950	-	-	433,950	(380,652)	53,298
Program services - Audiovisual, books, and periodicals	868,412	17	-	868,429	-	868,429
Support services - General administration:						
Personnel	3,339,721	-	-	3,339,721	(42,000)	3,297,721
Office supplies	134,151	-	-	134,151	-	134,151
Repairs and maintenance supplies	27,090	-	-	27,090	-	27,090
Purchased services	310,699	-	-	310,699	-	310,699
Communications	80,909	-	-	80,909	-	80,909
Insurance	30,765	-	-	30,765	-	30,765
Public utilities	144,877	-	-	144,877	-	144,877
Depreciation	-	-	-	-	681,601	681,601
Repairs and maintenance	242,354	-	-	242,354	(90,851)	151,503
Total support services - General administration	4,310,566	-	-	4,310,566	548,750	4,859,316
Total expenditures	5,612,928	17	-	5,612,945	168,098	5,781,043
<b>Total Other Financing Sources (Uses) - Transfers</b>	(15,322)	15,322	-	-	-	-
<b>Excess of Revenue Over Expenditures</b>	402,624	61,108	70,593	534,325	(168,098)	366,227
<b>Fund Balance/Net Assets - July 1, 2007</b>	3,430,680	-	583,354	4,014,034	4,991,901	9,005,935
<b>Fund Balance/Net Assets - June 30, 2008</b>	<u>\$ 3,833,304</u>	<u>\$ 61,108</u>	<u>\$ 653,947</u>	<u>\$ 4,548,359</u>	<u>\$ 4,823,803</u>	<u>\$ 9,372,162</u>

### **Note 1 - Nature of Organization and Summary of Significant Accounting Policies**

The accounting policies of Willard Public Library (the "Library") conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies:

#### **Reporting Entity**

The Library is located in the city of Battle Creek, Michigan and is governed by a five-member board. The Library is primarily funded through a tax levy, fines, fees, and charitable donations. Revenue is used to operate and staff the Library. The accompanying basic financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include oversight responsibility, scope of public service, and special financing relationships. The Library is a District Library formed pursuant to the District Library Establishment Act (1989 Public Act 24) by an agreement between the school districts of Battle Creek, Harper Creek, Lakeview, and Pennfield. Based on the significance of any operational or financial relationships with the Library, there are no component units to be included in these financial statements.

#### **Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The Library's basic financial statements include both government-wide (reporting the Library as a whole) and fund financial statements (reporting the Library's major funds).

#### **Government-wide Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of net assets includes and recognizes all long-term assets and receivables as well as long-term debt and obligations. The Library's net assets are reported in three parts: invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

### **Note 1 - Nature of Organization and Summary of Significant Accounting Policies (Continued)**

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

#### **Fund Financial Statements**

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Library considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Revenues are recognized in the accounting period in which they become susceptible to accrual, that is, when they become both measurable and available to finance expenditures of the fiscal period. All other revenue items are considered to be available only when cash is received by the Library.

The Library reports the following major governmental funds:

**General Fund** - The General Fund is the Library's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

**Special Revenue Endowment Fund** - The Special Revenue Endowment Fund is used to account for revenues received for a specific purpose held in an endowment account.

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in the Library as a whole full accrual financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The Library has elected not to follow private sector standards issued after November 30, 1989 for its full accrual presentation.

### **Note 1 - Nature of Organization and Summary of Significant Accounting Policies (Continued)**

#### **Assets, Liabilities, and Net Assets or Equity**

**Bank Deposits and Investments** - The Library has defined cash and cash equivalents to include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired.

**Receivables and Payables** - In general, outstanding balances between funds are reported as "due to/from other funds." Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds."

Property tax receivables are presented net of an allowance for uncollectible amounts.

**Other Assets** - Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

**Capital Assets** - Capital assets are defined by the Library as assets with an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Building improvements, furniture and fixtures, equipment, library books, periodicals, etc. are depreciated using the straight-line method over the following useful lives:

Buildings	20-50 years
Building improvements	10-20 years
Furniture and fixtures	5-10 years
Library books, periodicals, etc.	10 years
Land improvements	10-30 years
Equipment	5-10 years

**Compensated Absences (Vacation and Sick Leave)** - It is the Library's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. All vacation and sick pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end.

### **Note 1 - Nature of Organization and Summary of Significant Accounting Policies (Continued)**

**Property Taxes** - Properties are assessed as of December 31. The related property taxes are billed and become a lien on December 1 of the following year.

These taxes are due on February 15 with the final collection date of February 28 before they are added to the county tax rolls.

Property taxes are levied on each July 1 and December 1 on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on March 1 of the following year, at which time penalties and interest are assessed.

The Library's 2007 tax is levied and collectible on December 1, 2007 and is recognized as revenue in the year ended June 30, 2008 when the proceeds of the levy are budgeted and available for the financing of operations.

The 2007 taxable valuation of the participating municipalities totaled \$2,372 million before adjustments, on which taxes levied consisted of 2.0 mills for operating purposes. This resulted in approximately \$5.1 million for General Fund operations. This amount was reported in the General Fund as tax revenue.

**Fund Equity** - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or legally restricted by outside parties for use for a specific purpose. Designation of fund balance represents tentative management plans that are subject to change.

**Use of Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

### Note 2 - Reconciliation of Government-wide and Fund Financial Statements

Total fund balances and the net change in fund balances of the Library's governmental funds differ from net assets and change in net assets of the governmental activities reported in the statement of net assets and statement of activities. This difference results primarily from the long-term economic focus of the statement of net assets and statement of activities versus the economic focus of the statement of the governmental fund balance sheet and statement of revenue, expenditures, and changes in fund balances. The following is a reconciliation of fund balance to net assets and net change in fund balances to the net change in net assets:

<b>Total Fund Balance - Modified Accrual Basis</b>	<b>\$ 4,548,359</b>
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Amounts reported in the statement of net assets are different because:

Capital assets are not financial resources and are not reported in the funds	5,102,803
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Compensated absences are included as a liability	<u>(279,000)</u>
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<b>Total Net Assets - Full Accrual Basis</b>	<b><u>\$ 9,372,162</u></b>
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<b>Net Change in Fund Balances - Modified Accrual Basis</b>	<b>\$ 534,325</b>
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Amounts reported in the statement of activities are different because:

Capital outlay is not an expense of the current period	471,503
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Capital costs are allocated over their estimated useful lives as depreciation	(681,601)
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Decrease in the accrual for long-term compensated absences is reported as an expenditure in the statement of activities, but not in the fund statements	<u>42,000</u>
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<b>Change in Net Assets of Governmental Activities</b>	<b><u>\$ 366,227</u></b>
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### Note 3 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Library has designated three banks for the deposit of its funds. The investment policy adopted by the board is in accordance with Public Act 196 of 1997. The Library's cash and investments are subject to several types of risk, which are examined in more detail below:

**Custodial Credit Risk of Bank Deposits** - Custodial credit risk is the risk that in the event of a bank failure, the Library's deposits may not be returned to it. The Library does not have a deposit policy for custodial credit risk. At year end, the Library had \$4,311,047 of bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized. The Library believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Library evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

**Interest Rate Risk** - Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The Library's investment policy does not restrict investment maturities, other than commercial paper which can only be purchased with a 270-day maturity.

**Credit Risk** - State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Library has no investment policy that would further limit its investment choices.

**Concentration of Credit Risk** - The Library places no limit on the amount the Library may invest in any one issuer.

# Willard Public Library

## Notes to Financial Statements June 30, 2008

### Note 4 - Capital Assets

Capital asset activity of the Library's governmental activities was as follows:

	Balance July 1, 2007	Additions	Disposals and Adjustments	Balance June 30, 2008
Assets not being depreciated - Land	\$ 980,185			\$ 980,185
Depreciable capital assets:				
Furniture and fixtures	947,849	90,851	(9,528)	1,029,172
Equipment	976,411	265,569	(50,458)	1,191,522
Building and building improvements	2,363,416	87,437	-	2,450,853
Land improvements	212,536	27,646	-	240,182
Books, periodicals, etc.	5,495,076	-	(245,620)	5,249,456
Subtotal	9,995,288	471,503	(305,606)	10,161,185
Less accumulated depreciation:				
Furniture and fixtures	695,311	88,204	(9,528)	773,987
Equipment	844,938	157,652	(50,458)	952,132
Building and building improvements	475,797	92,784	-	568,581
Land improvements	66,463	16,543	-	83,006
Books, periodicals, etc.	3,580,063	326,418	(245,620)	3,660,861
Subtotal	5,662,572	681,601	(305,606)	6,038,567
Net capital assets being depreciated	4,332,716	(210,098)	-	4,122,618
Net capital assets	\$ 5,312,901	\$ (210,098)	\$ -	\$ 5,102,803

Capital assets, including library books, are recorded at cost. Depreciation expense was \$681,601 for the year ended June 30, 2008.

### Note 5 - Long-term Debt

The Library's employees are granted 12 sick days per year. Unused sick leave may be accumulated up to certain limits. Employees are paid for unused sick leave upon retirement. A sick leave benefit of \$279,000 is recorded at June 30, 2008.

### Note 6 - Battle Creek School District

The building and real estate in downtown Battle Creek used by the Library are being leased from the School District of the City of Battle Creek for \$1 per year, as stated in the agreement entered into with the School District in 1994. The fair market value of this lease is not known.



### **Note 7 - Defined Benefit Pension Plan**

The Library participates in two defined benefit pension plans, the Michigan Public School Employees' Retirement System (MPSERS) and the Municipal Employees' Retirement System of Michigan (MERS). The Library was previously included as part of the School District of the City of Battle Creek, Michigan. Employees formerly employed by the School District were eligible to continue participation in the MPSERS plan. Employees hired after the Library was formed are eligible to participate in the MERS plan.

#### **Michigan Public School Employees' Retirement System**

**Plan Description** - The Michigan Public School Employees' Retirement System is a state-wide, cost-sharing, multiple-employer defined benefit public employee retirement system governed by the State of Michigan. The MPSERS provides retirement, survivor, and disability benefits to plan members and their beneficiaries. The Michigan Public School Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplemental information for the MPSERS. That report may be obtained by writing to the MPSERS at P.O. Box 30171, Lansing, MI 48909-7671.

**Funding Policy** - Employer contributions to the MPSERS result from the effects of implementing the School Finance Reform Act. Under these procedures, the Library is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree healthcare benefit amounts on a cash disbursement basis. The pension benefit rate totals range from 16.72 percent to 17.74 percent for the period from July 1, 2007 through June 30, 2008. Basic plan members make no contributions, but contribute to a member investment plan (MIP) at rates ranging from 3.0 percent to 4.3 percent of gross wages.

The Library's contributions to the MPSERS plan for the years ended June 30, 2008, 2007, and 2006 were \$127,285, \$195,235, and \$180,990, respectively.

### **Note 7 - Defined Benefit Pension Plan (Continued)**

**Postemployment Benefits** - Under the MPSERS Act, all retirees participating in the MPSERS Pension Plan have the option of continuing health, dental, and vision coverage. Retirees having these coverages contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent of the monthly premium amount for the health, dental, and vision coverages. Required contributions for post-employment healthcare benefits are included as part of the Library's total contribution to the MPSERS plan discussed above.

#### **Municipal Employees' Retirement System of Michigan**

**Plan Description** - The Municipal Employees' Retirement System of Michigan is a state-wide, cost-sharing, multiple-employer defined benefit public employee retirement system. The MERS provides retirement, survivor, and disability benefits to plan members and their beneficiaries. The Municipal Employee's Retirement System of Michigan issues a publicly available financial report that includes financial statements and required supplemental information for the MERS. That report may be obtained by writing to the MERS at 1134 Municipal Way, Lansing, Michigan 48917.

**Funding Policy** - The Library is required to contribute the full actuarial funding contribution amount to fund pension benefits, less a 4 percent contribution by employees. The Library's contribution rates ranged from 5.89 percent to 6.39 percent of the covered payroll to the plan for the period from July 1, 2007 through June 30, 2008.

**Annual Pension Cost** - For the year ended June 30, 2008, the Library made \$71,647 of contributions to the plan, based on the actuarial valuation. The annual required contribution was determined as part of an actuarial valuation at December 31, 2005, using the entry actual age cost method. Significant actuarial assumptions used include (a) an 8.0 percent investment rate of return, (b) projected salary increases of 4.5 percent per year, attributable to inflation, and (c) 0 percent to 4.2 percent per year attributable to seniority/merit. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll contributions over a 30-year period.

# Willard Public Library

## Notes to Financial Statements June 30, 2008

### Note 7 - Defined Benefit Pension Plan (Continued)

Three-year trend information is as follows:

	Fiscal Year Ended June 30		
	2006	2007	2008
Annual pension cost (APC)	\$ 55,632	\$ 63,560	\$ 71,647
Percentage of APC contributed	100%	100%	100%
Net pension obligation	-	-	-

  

	Actuarial Valuation as of December 31		
	2005	2006	2007
Actuarial value of assets	\$ 649,150	\$ 798,214	\$ 965,941
Actuarial accrued liability AAL (entry age)	\$ 752,735	\$ 921,362	\$ 1,086,318
Unfunded (overfunded) AAL (UAAL)	\$ 103,585	\$ 123,148	\$ 120,377
Funded ratio	86%	87%	89%
Covered payroll	\$ 886,408	\$ 1,019,430	\$ 1,080,380
UAAL as a percentage of covered payroll	11.7%	12.1%	11.1%

### Note 8 - Risk Management

The Library is exposed to various risks of loss related to property loss, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Library participates in the Middle Cities Risk Management Trust and the Michigan Municipal League (risk pools) for claims relating to the above.

The shared-risk pool programs in which the Library participates operate as a common risk-sharing management program for school districts and municipalities in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

### Note 9 - Funds Held by the Battle Creek Community Foundation

The Library is the beneficiary of endowment funds at the Battle Creek Community Foundation (the "Foundation") that are considered permanent endowments to benefit the Library. The endowments are within the Foundation and not part of the Library's General Fund. Investment earnings are reinvested into the Fund and amounted to \$109,098 for the year ended June 30, 2008. The amount of the endowment funds held at Battle Creek Community Foundation in the Campbell Fund, Denman Fund, and Willard Library Fund totaled \$1,001,421.

### **Note 10 - Funds Held by the Battle Creek Community Foundation (Continued)**

During the year, the Library withdrew past earnings on principal from the endowment funds held at Battle Creek Community Foundation totaling \$47,720. Of this amount, \$330 was placed in the General Fund and \$47,390 was placed in the Special Revenue Endowment Fund.

## **Required Supplemental Information**

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# Willard Public Library

## Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2008

	Originally Adopted Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenue</b>				
Taxes	\$ 5,130,915	\$ 5,149,799	\$ 5,147,331	\$ (2,468)
State sources	36,031	65,220	95,027	29,807
Penal fines	255,000	265,000	277,147	12,147
Fees and book fines	165,000	175,000	189,678	14,678
Interest	135,000	160,000	159,421	(579)
Local contributions, contracts, and other	174,309	159,497	162,270	2,773
Total revenue	5,896,255	5,974,516	6,030,874	56,358
<b>Expenditures</b>				
Capital expenditures	423,000	463,000	433,950	29,050
Program services - Audiovisual, books, and periodicals	950,200	981,200	868,412	112,788
Support services - General administration:				
Personnel	3,377,748	3,373,630	3,339,721	33,909
Office supplies	116,000	152,000	134,151	17,849
Repairs and maintenance supplies	21,500	33,000	27,090	5,910
Purchased services	269,500	326,500	310,699	15,801
Communications	85,500	101,500	80,909	20,591
Insurance	30,803	30,803	30,765	38
Public utilities	156,000	164,500	144,877	19,623
Repairs and maintenance	479,400	278,500	242,354	36,146
Total support services - General administration	4,536,451	4,460,433	4,310,566	149,867
Total expenditures	5,909,651	5,904,633	5,612,928	291,705
<b>Other Financing Uses - Transfers</b>	-	(15,322)	(15,322)	-
<b>Excess of Revenue Over (Under) Expenditures</b>	(13,396)	54,561	402,624	348,063
<b>Fund Balance - Beginning of year</b>	3,430,680	3,430,680	3,430,680	-
<b>Fund Balance - End of year</b>	<u>\$ 3,417,284</u>	<u>\$3,485,241</u>	<u>\$3,833,304</u>	<u>\$ 348,063</u>

# **Willard Public Library**

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## **Required Supplemental Information Note to Budgetary Comparison Schedule - General Fund Year Ended June 30, 2008**

### **Note - Budget Information**

The annual budget is prepared by the library director and adopted by the Library's board of trustees; subsequent amendments are approved by the Library's board of trustees. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at June 30, 2008 has not been calculated. During the current year, the budget was amended in a legally permissible manner. The Endowment Fund did not adopt a budget since no expenditures were anticipated.

The budget has been prepared in accordance with accounting principles generally accepted in the United States of America.

The budgetary comparison schedule (statement of revenue, expenditures, and changes in fund balance - budget and actual) is presented on the same basis of accounting used in preparing the adopted budget.

The budget has been adopted on a line-item basis; expenditures at this level in excess of amounts budgeted are a violation of Michigan law. A comparison of the actual results of operations of the General Fund budget, as adopted by the library board, is available at the Library for inspection. There were no significant budget overruns during the year ended June 30, 2008.

August 29, 2008

To the Board of Trustees  
Willard Public Library

We have audited the financial statements of Willard Public Library for the year ended June 30, 2008, and have issued our report thereon dated August 29, 2008. Professional standards require that we provide you with the following information related to our audit.

**Our Responsibility Under U.S. Generally Accepted Auditing Standards**

As stated in our engagement letter dated March 10, 2008, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. We are responsible for planning and performing the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement. As part of our audit, we considered the internal control of Willard Public Library. Our consideration of internal control was solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters and our audit of the financial statements does not relieve you or management of your responsibilities.

**Planned Scope and Timing of the Audit**

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on August 19, 2008.

**Significant Audit Findings**

**Qualitative Aspects of Accounting Practices**

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Willard Public Library are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2008.

We noted no transactions entered into by the organization during the year for which there is a lack of authoritative guidance or consensus.

There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.



The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

***Difficulties Encountered in Performing the Audit***

We encountered no significant difficulties in dealing with management in performing and completing our audit.

***Corrected and Uncorrected Misstatements***

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. The attached schedules summarize uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

***Disagreements with Management***

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

***Management Representations***

We have requested certain representations from management that are included in the management representation letter dated August 29, 2008.

***Management Consultations with Other Independent Accountants***

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

***Other Audit Findings or Issues***

In the normal course of our professional association with the organization we generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the organization, and business plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the organization's auditors.

This information is intended solely for the use of the Board of Trustees and management of Willard Public Library and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,  
**PLANTE & MORAN, PLLC**



Thomas H. Cole, III, CPA  
Partner

**Client:** Willard Library  
**Opinion Unit** Governmental Activities  
**Y/E:** 6/30/2008

### **SUMMARY OF UNRECORDED POSSIBLE ADJUSTMENTS**

Increases (Decreases)

Ref. #	Description of Misstatement	Assets	Liabilities	Net Assets	Revenue	Expenses
<b>Known Misstatements:</b>						
	None					
<b>Estimate Adjustments:</b>						
B1	To record net AR on outstanding fines	34,186			34,186	
<b>Implied Adjustments:</b>						
	None					
		-	-	-	-	-
	Combined Effect	34,186	-	-	34,186	-

**Client:** Willard Library  
**Opinion Unit:** General Fund (Major Governmental Fund)  
**Y/E:** 6/30/2008

## SUMMARY OF UNRECORDED POSSIBLE ADJUSTMENTS

Increases (Decreases)

Ref. #	Description of Misstatement	Assets	Liabilities	Fund Balance	Revenue	Expenditures
<b>Known Misstatements:</b>						
	None					
<b>Estimate Adjustments:</b>						
BI	To record AR for fines collected within 60 days of year-end, assessed prior to year-end	10,018			10,018	
<b>Implied Adjustments:</b>						
	None					
		-	-	-	-	-
	Combined Effect	<u>10,018</u>	<u>-</u>	<u>-</u>	<u>10,018</u>	<u>-</u>